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C O N F I D E N T I A L PANAMA 000636

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SUBJECT: PANAMA: PANAMENISTA PARTY PRESIDENT LAYS OUT
POLITICAL VISIONS

REF: PANAMA 563

Classified By: Classified by Counselor for Political Affairs Brian R. N
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Summary

11. (C) "Panama has fifteen to twenty years to get its act together to prevent populism from taking root here," Panamenista Party President and presidential candidate Juan Carlos Varela told POLCOUNS on April 20. Varela stated that, with the right leadership (ostensibly his), stronger institutions, and efficient mechanisms to distribute more equitably economic opportunity and wealth, Panama can hold back "chavista" populism. He did not respond directly to questions regarding intra-Panamenista Party dynamics, but did note that he is aggressively traveling Panama and working the Panamenista bases. Varela said that the opposition's agreement to put forward Aurelio Barria as its own candidate to be Panama's next Comptroller General represented a significant watershed in the opposition's efforts to unify. Though governing Revolutionary Democratic Party (PRD) candidate Carlos Vallarino handily defeated Barria in the National Assembly vote to select the Comptroller General, Varela was pleased with the results of hard political work to organize the opposition behind Barria and said that he hoped to maintain this unity behind an effort to present draft legislation to promote greater governmental decentralization (REFTEL). Varela remained focused on efforts to promote an inter-party primary to solidify the opposition behind a sole challenger to the PRD's future presidential candidate. End Summary.

Holding Back Populism

12. (C) "Panama's next elections need to be understood in the context of what is happening in this hemisphere with the rise of Chavez-inspired populism," Varela explained. "Thankfully, Panama has political time and space to get its house in order." Chavista inspired rhetoric did not get much traction in Panama, he explained, and there was no clear leader in Panama's "non-traditional" leftist opposition to galvanize the "popular classes" like Chavez in Venezuela, Morales in Bolivia, or Correa in Ecuador. He continued that nonetheless remarkable economic growth since the U.S. invasion in 1989 had not resulted in significant reductions in Panama's poverty levels. The Panama Canal Authority (ACP) was akin to

Venezuela's state oil company PDVSA: it dominated the economy, was the goose that laid the golden eggs, and yet many Panamanians did not feel that they benefited from that goose.

Panama Needs Stronger Institutions, Decentralization

13. (C) It was essential to strengthen and re-build Panama's institutions to strengthen democracy in Panama, Varela said, and to demonstrate that democracy could deliver the goods in improving the lives of average Panamanians. He added that a mechanism had to be found to harness the economic engine of the Panama Canal to improve the lives of average Panamanians.

The lack of a plan to integrate canal expansion into a broader economic development effort was the central reason that Varela took the Panamenista Party into opposition against the government-supported October 23, 2006 canal expansion referendum. While the Torrijos Administration belatedly promoted such a dialogue to stop the erosion of support for the dialogue, Varela said now that the UN Development Programme (UNDP) was facilitating such a dialogue it was incumbent on him to participate. Though he acknowledged that he had taken a beating for being the sole opposition leader to participate in this dialogue, Varela argued that his participation needed to be understood in the broader context of his goal to strengthen institutions and to establish a mechanism to channel and put to work the wealth generated by the Panama Canal.

14. (C) Varela expressed his relieved pleasure that the opposition was able to unify behind Aurelio Barria as its candidate to be Panama's next Comptroller General. According

to Varela, the behind the scenes coalition building among opposition parties and leaders was complicated and difficult.

At one point, Democratic Change (CD) President and presidential candidate Ricardo Martinelli went public, but with the wrong name (Octavio Amat), highlighting the challenges the opposition faced in coordinating and Martinelli's proclivity to try to steal the spotlight, Varela noted. While the opposition's candidate was easily defeated in the National Assembly vote, Varela argued that putting forward Barria was a watershed since the opposition took a stand against "increased PRD dominance" of Panama's branches of government and other independent entities. (Note: In addition to holding the Presidency, the PRD holds a comfortable majority in the National Assembly and supports a proposal to establish a Fifth Chamber (Sala Quinta) with three additional magistrates that the opposition believes would tip control of the Supreme Court to the PRD. Also, the Torrijos Administration and the National Assembly succeeded in adopting legislation to break up the Technical Judicial Police (PTJ), named a new Banking Superintendent, and now has placed Torrijos' Minister of Finance as Comptroller General.)

15. (C) Varela said that he hoped that he could galvanize the opposition behind draft legislation to promote decentralization, the centerpiece of which would be the passing of funds to municipalities to decide independently how to disburse. While not optimistic that this legislative proposal would actually prevail, Varela said it would draw attention to the Torrijos' abuse of the funds distributed through the Community Development Program for Public Infrastructure (PRODEC). (NOTE: PRODEC is distributing USD 166 million of canal proceeds by identifying projects in each precinct in Panama. Panama has 620 precincts. A precinct is composed of a handful of neighborhoods, several precincts make up a district, and Panama has 75 districts. The first disbursement will be USD 80 thousand per precinct.) According to Varela, Torrijos was using PRODEC to undermine Panama's limited decentralization by cutting out non-PRD mayors and councilmen -- and even some PRD mayors and councilmen -- and effectively allowing PRD party bosses to manage the consultative process by each community to develop proposals to expend PRODEC's funding. In some cases, such party bosses were directly linking funding to enlisting

voters into the PRD's ranks.

¶6. (C) Varela also underscored the need to re-build Panama's political parties. He railed against the "corporatization of corruption," what Varela asserted to be the devolution of parties into political cabals composed of political, business, labor and other elites seeking special treatment, privileged relations with the government, and protection from prosecution. Such corrupted parties would enter into "cartels" with one another to reap benefits and assure their mutual protection so that they could "operate above the law," he asserted. Former Presidents Mireya Moscoso and Ernesto "El Toro" Perez Balladares, cutting across party lines, had benefited from shady business deals and, through their prior appointments to the Supreme Court, controlled the Supreme Court. Varela added, "Many ministers profited from their tenure in Moscoso's government." (Comment: When pressed, Varela would not provide names or examples.) He said he was actively working the party's bases to revitalize the party and lead it in a new direction.

Inter-Party Primary

¶7. (C) Varela said that he believed that an inter-party primary was vital to leading the opposition to victory in Panama's May 2009 elections. Asked how he would convince Martinelli, who insisted he would stay away from such a primary, to participate, Varela asserted that Martinelli: was reaching the limit of his popularity, had no national party structure to help him sustain his high ratings, and would need to participate in an inter-party primary to revitalize what would be his flagging standing by August/September 2008 when an inter-party primary could be held. Panamanian electoral law only allowed registered party members to participate in an inter-party primary. Varela believed Martinelli would have difficulty staying away from an opposition, non-binding "consultation" that permitted all opposition party members and voters not registered with any party to participate. Opposition parties would need to "ratify" the results of such a consultation. Varela asserted

that he was prepared to stand aside in favor of another stronger opposition member's candidacy for the presidency. Varela also confirmed that he had agreed with Martinelli that whichever one of them led the polls in May 2008 would support the other. Finally, Varela said that it was critical to bring the Patriotic Union (UP) party into an inter-party primary as doing so would deny prospective PRD presidential candidate (and current 1st VP and FM) Samuel Lewis the UP's support and increase the pressure for Martinelli to participate. As for former President Guillermo Endara, Varela said that Endara's fledgling Moral Vanguard of the Fatherland (VMP) would not secure Panamenista support and Endara's candidacy would wither.

Comment

¶8. (C) Though there was little news in Varela's proposals, it was refreshing to hear a Panamanian leader talk about ideas and to place Panama's up-coming elections in a broader context. The need to promote decentralization, to combat the scourge of corruption, and to strengthen Panama's institutions, and to forestall the PRD's efforts to dominate Panamanian politics are all standards in Panamanian opposition's songbook. Promoting institutionalization and decentralization are not on the forefront of most voters' minds; employment, security, education, and health care are. Varela will need to make the case that his approach can address these core concerns. Varela's focus on better harnessing the Panama Cana's revenues for development (which was probably illustrative, not comprehensive) is laudable, but insufficient. Panama's economic growth is not the problem, but rather the problem is how to clear away the corruption and bureaucratic obstacles while investing in

better education and health care that will ultimately yield meaningful reductions in poverty and income disparities. Finally, Varela faces significant challenges from Moscoso, former party president Marco Ameglio, National Assembly Deputy Jose Blandon, and current party SecGen Francisco Aleman; he artfully deflected all questions about his relationships with these party leaders. While he desires to strive to build a new Panamenista party, Varela will inevitably have to deal with the real world realities of these and other forces in his own party.

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